

GreenGov



EU REGULATORY LANDSCAPE FOR SUSTAINABLE FINANCE

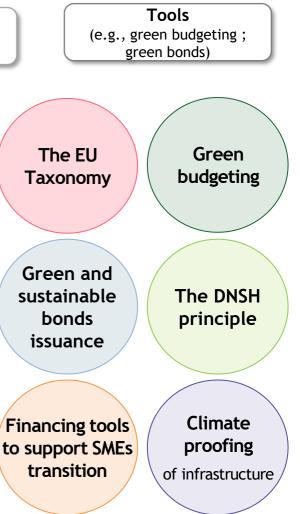
The EU Sustainable finance regulatory framework has 3 building blocks:

Classification (i.e., the EU Taxonomy)

Disclosures (e.g., CSRD ; SFDR)

Regional authorities can make use of several existing EU sustainable finance instruments and rules. From a regulatory standpoint, they can be organized according to their **objective and regions'** competencies:

- 1. Instruments that have a role in implementing the transition through public policies: for instance, using the EU taxonomy to enhance (or assess) the "greenness" of public policies. This also ties into the concept of green budgeting but extends beyond.
- 2. Leveraging private finance (using the same tools as businesses): regions can present themselves favorably to investors by issuing green and sustainable bonds. As public authorities investing in some types of infrastructure (e.g., transport infrastructure), these regional bonds could much more likely align with the EU Taxonomy.
- 3. Leveraging sustainable finance tools to structure the criteria for other policy instruments: example can be using the Do No Significant Harm (DNSH) principle and Minimum Safeguards (MS) when financing a project that may not have a green objective, to ensure Environmental, Social, and Governance (ESG) risks are effectively managed.





REGIONAL PRACTICES IN THE IMPLEMENTATION OF GREEN FINANCE TOOLS

<u>11 European authorities (9 regional and 2 national) answered the</u> <u>survey on green finance practices:</u>



In practice, regions are becoming **increasingly familiar with sustainable finance tools**, though there still are topics less implemented/used than others. For instance, while **green budgeting** practices is increasingly seen in Europe at regional or local levels, the implementation of **the EU Taxonomy** is still used in a **segmented** way.

Overall, regional authorities use sustainable finance tools for different reasons: for **mandatory** requirements, on a **voluntary** basis often seeking to **help achieve national climate goals**, or **both***.

Mandatory	Both	Voluntary
 Do No Significant Harm (DNSH) - <i>ERDF</i> EC climate proofing of infrastructure - <i>ERDF</i> 	 Green budget 	EU Taxonomy
		 Issuance of green & sustainable bonds
		 Innovative financing tools to support the transition of regional SMEs

* Based on feedback on observations.



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Challenges observed

- Availability and quality of the data required for accurate assessments e.g., for the implementation of the DNSH or the climate proofing analysis.
- Limited resources and internal expertise.
- Gathering and managing sustainability information, involving multiple stakeholders across different sectors (e.g., dealing with both finance and climate/environment departments).
- **Complexity** and **evolutive nature** of the regulatory frameworks e.g., the EU Taxonomy.
- Administrative burden for SMEs wiling to get public support.

Impacts observed

- Enhance regional governance context by:
- → The promotion of multi-stakeholder involvement, encouraging both collaboration among local communities and internal dialogue between the administrations.
- → The promotion of internal or external dedicated bodies to oversee the implementation of frameworks.
- Enhance accountability, transparency, and investors' confidence by providing a clear set of criteria for evaluating projects.
- Mainstreaming environmental goals and concerns into financial cycles.

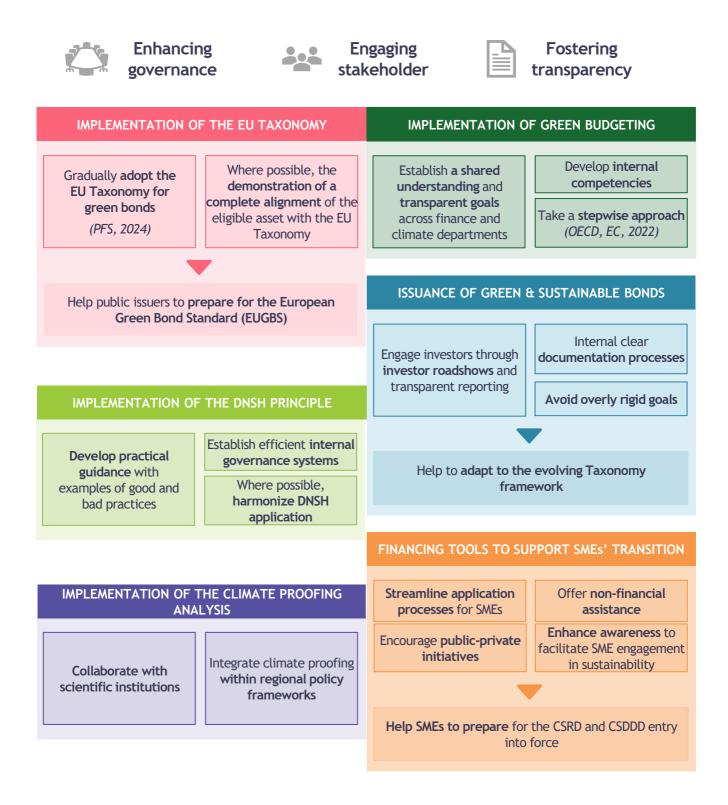
GOOD PRACTICES INDENTIFIED*

Methodological tools and technical assessments Structured governance and frameworks Good practice n°8 Good practice n°3 Oslo's climate budget A DNSH Division for the elaboration process and Good practice n°1 Recovery and Resilience Plan communication on it EU Taxonomy assessment of in Spain Region Stockholm's green bond framework Good practice n°11 Good practice n°2 Annual gender budgeting EU Taxonomy alignment "Awareness-raising Plans" in assessment of the Community Andalusia Good of Madrid's green bonds use of proceeds practices Good practice n°13 identified A dedicated section for SMEs Good practice n°4 in the Community of Madrid's A sectoral approach to DNSH Sustainable Finance principle implementation for Framework investments in buildings in Slovakia Good practice n°5 A dedicated section for the Good practice n°14 DNSH on the Walloon website, A digital platform in the including a Q&A on the Good practice n°7 Canton of Vaud to support implementation of the DNSH Participatory process for the entrepreneurs' transition to a elaboration of the sustainable economy Good practice n°9 Environmental Provincial Plan A participatory budget for on Energy (PEAP) in the climate action in the City of Autonomous Region of Trento Vienna

Stakeholder engagement and information

*11 out of 16 good practices are quoted in this scheme.

RECOMMENDATIONS FOR EUROPEAN REGIONAL AUTHORITIES



The recommendations are based on the recommendations and solutions formulated by the regions who participated to the GreenGov initial survey, and public reports available on the topics.